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The Role of Executive Agencies in Budget Development: In Brief

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Introduction

The federal budget sustains government functions and plays an important role in shaping policy decisions. In practice, the process for developing and executing the federal budget is multifaceted. The Constitution vests Congress with the power of the purse, with provisions that refer to congressional authority to levy taxes, authorize the issuance of debt, and make appropriations to fund the federal government.[1] The Constitution does not provide an explicit role for the President in the budget process. Rather, the executive budget process exists primarily due to statutes enacted by Congress, and it specifies roles for the President, the Office of Management and Budget (OMB), and executive agencies.

The executive budget process is a complex set of activities that includes (1) development of the President's budget proposal, (2) submission and justification of the President's budget proposal, and (3) execution of enacted appropriations and other budgetary legislation. While some of the activities must be completed by specific dates, many follow a more flexible schedule established by formal and informal rules and procedures.

This report briefly covers agencies' roles in budget development in the context of the executive budget process. The President is required to prepare and submit a comprehensive federal budget to Congress each year. Due to the size and complexity of the federal budget, however, the President in practice relies on agencies to bear the primary responsibility for formulating their budget requests. For a more detailed overview of the development, submission, and justification of the President's budget proposal, see CRS Report R47019, *The Executive Budget Process: An Overview*, by Dominick A. Fiorentino and Taylor N. Riccard. CRS has also published a suite of "In Brief" products covering components of the executive budget process including

- CRS Report R47089, *The Role of the Office of Management and Budget (OMB) in Budget Development: In Brief*, by Taylor N. Riccard;
- CRS Report R47092, *The Role of the President in Budget Development: In Brief*, by Taylor N. Riccard;
- CRS Report R47091, *The Role of Executive Agencies in Budget Development: In Brief*, by Dominick A. Fiorentino (this report);
- CRS Report R47090, *Executive Agency Justification of the President's Budget: In Brief*, by Dominick A. Fiorentino; and
- CRS Report R47088, *The Executive Budget Process Timeline: In Brief*, by Dominick A. Fiorentino.

Initial Preparation of Agency Budget Requests

The development of the President's budget begins approximately 10 months before the President must submit the proposal to Congress, which is about 18 months prior to the start of the fiscal year that the budget will cover. A significant implication of this timeline is that multiple cycles of the annual appropriations process overlap with each other. Specifically, as Congress begins action on appropriations bills and other budgetary legislation for the upcoming fiscal year, OMB and agencies have already begun planning for the subsequent fiscal year.

[1] See CRS Report R46240, *Introduction to the Federal Budget Process*, by James V. Saturno.

OMB coordinates the development of the President's budget proposal by issuing circulars, memoranda, and guidance documents to the heads of executive agencies. Executive agencies are then expected to prepare their budget requests in accordance with the instructions and guidance provided by OMB.[2] In particular, OMB's annually issued *Circular No. A-11* is an extensive document that contains instructions and schedules for agency submission of budget requests and justification materials to OMB.[3]

Early in the development phase of the executive budget process, OMB often issues a memorandum containing budget planning guidance that observers often refer to as the "spring guidance." This memorandum provides executive agencies with detailed instructions and deadlines for submitting their budget requests and supporting materials to OMB.[4] The guidance may also include specific instructions for how agency budget requests may help achieve the President's budgetary priorities and other policy goals.

Agencies rely on internal processes and analysis to formulate their budget requests, which vary from agency to agency.[5] Most agencies generally follow a bottom-up process. Typically, leadership of the agency establishes budget guidelines and communicates them to lower organizational levels. Initial budget requests are then formulated by lower organizational levels of an agency and reviewed at successively higher levels.[6] When developing their budgets, agencies usually estimate the resources necessary to continue the existing programs at current levels for the next fiscal year. Then, agencies may include estimates for new or modified initiatives funded with any available incremental resources.

In a typical bottom-up process, a higher organizational unit within the agency then reviews preliminary budget requests. Decisions are made and passed back to the originating level. Any disagreements with these decisions may be appealed. Once decisions are made on appeals, the budget request is then consolidated with the budget requests of similarly situated units to be reviewed at the next decisionmaking level. This process of review and appeal continues at each level up to the highest level of a department or agency. All the lower-level budget requests are then consolidated into an agency-wide budget to be submitted to OMB.[7] Typically, OMB has administratively set the annual submission dates for September, which occurs 13 months before the beginning of the forthcoming fiscal year. For a timeline containing executive budget process milestones related to agency budget development, see **Figure 1**.

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[2] See CRS Report RS21665, *Office of Management and Budget (OMB): An Overview*, coordinated by Taylor N. Riccard.

[3] OMB, "Circulars," https://www.whitehouse.gov/omb/information-for-agencies/circulars/.

[4] The budget planning guidance memorandum is usually issued in mid- to late spring, nearly a year before the President submits the budget proposal to Congress. However, the memorandum has been issued as late as August.

[5] Allen Schick, *The Federal Budget: Politics, Policy, Process*, 3rd ed. (Washington, DC: Brookings Institution Press, 2007), pp. 92-93.

[6] For an overview of the budget development processes at the Department of Defense, see CRS In Focus IF10429, *Defense Primer: Planning, Programming, Budgeting, and Execution (PPBE) Process*, by Brendan W. McGarry. For an illustrative example of the budget development process at a civilian agency, see U.S. Department of Education, *Illustrative Calendar of Steps Followed in the Department of Education Budgeting Process FY 2004*, 2003, archived at https://web.archive.org/web/20090114091623/http:/www.ed.gov/about/overview/budget/edlite-calendar.html.

[7] For an illustrative example of the appeals and decisionmaking process within an agency, see U.S. Department of the Treasury, *Treasury Inspector General for Tax Administration Operations Manual*, "Chapter 600—Mission Support," October 1, 2018, https://www.treasury.gov/tigta/foia/efoia-imds/chapter600-ms/600-50/chapter600-50-2.docx.

Agency Performance Planning and Reporting in the Budget Process

The GPRA Modernization Act of 2010 (GPRAMA),[8] which modified the Government Performance and Results Act of 1993 (GPRA),[9] established a statutory framework synchronizing budget development with agency annual performance planning, measurement, and reporting.[10] GPRAMA requires agencies to publish three periodic documents, two of which have statutory deadlines aligning with the President's budget submission:[11]

1. **Agency Strategic Plan.** This document, published every four years to coincide with the start of a new presidential term, describes the general goals and objectives of an agency. GPRAMA requires agencies to submit their strategic plans by the first Monday in February during the second year of a President's term—the same statutory deadline for the President's budget submission.[12]
2. **Agency Performance Plan (commonly referred to as Annual Performance Plan).** An agency is required annually to submit a plan that contains measurable performance goals corresponding to each "program activity" as presented in the President's budget submission to Congress. The submission deadline for Annual Performance Plans also matches that of the President's budget submission.[13]
3. **Agency Performance Update (commonly referred to as Annual Performance Report).** GPRAMA requires the Agency Performance Report to provide performance indicators from the relevant Agency Performance Plan and compare performance goals with actual results. GPRAMA established a submission deadline of less than 150 days after the end of each fiscal year.[14] In practice, however, OMB has instructed most agencies to publish their Annual Performance Reports with their Annual Performance Plans and congressional budget justifications.[15]

[8] 124 Stat. 3866, and codified in Titles 5 and 31 of the *U.S. Code*. The law has also been cited as GPRMA, the Government Performance and Results Act of 2010, and GPRA.

[9] 107 Stat. 285.

[10] The contents of this section draw in part from CRS Report R42379, *Changes to the Government Performance and Results Act (GPRA): Overview of the New Framework of Products and Processes*, by Clinton T. Brass.

[11] OMB provides annual guidance to executive agencies on how to comply with GPRA. See OMB, *Circular No. A-11*, Part 6, https://www.whitehouse.gov/wp-content/uploads/2018/06/a11.pdf#page=614.

[12] 5 U.S.C. §306.

[13] 31 U.S.C. §1115(b).

[14] 31 U.S.C. §1116.

[15] OMB, *Circular No. A-11*, §240.21. OMB encourages small agencies to publish a combined Annual Performance Plan and Annual Performance Report, but agencies still retain the flexibility to publish an Annual Performance Report as part of a Performance and Accountability Report. For more information, see OMB, *Circular A-136, Financial Reporting Requirements*.

OMB Review and Modification of Agency Budget Requests

Agency budget requests are submitted to OMB in early fall, approximately four to five months before the President must submit the budget to Congress. Agency requests are first reviewed by OMB program examiners who are responsible for the associated policy areas. The program examiners evaluate policy options and ensure that agency requests are consistent with the President's policy objectives. More senior OMB officials may also review agency requests. Prior to making recommendations, OMB program examiners may ask for additional information from agencies, either informally or by conducting formal hearings. More senior OMB career and political officials review examiners' recommendations, culminating in review and approval by the OMB director.[16]

Agencies are notified of OMB's decisions through a process known as "passback." During passback, OMB officials notify agencies of their approved budgetary levels, which may differ from the agencies' budget requests.[17] The passback process and the content of passback decisions may differ under each Administration and each OMB director. For example, passback decisions may also include program policy changes.[18] Agencies may appeal these decisions to the relevant OMB examiner of branch chief, the OMB director, a group of officials, or, in some cases, to the President directly, depending on the procedures established by each Administration.[19]

Once OMB and the President make final decisions, agencies must revise their budget requests and performance plans to conform to these decisions. Agency officials prepare budget material for inclusion in the President's budget, which is to be transmitted to Congress by the first Monday of February.[20] These materials include program descriptions, the requested spending levels, and the proposed appropriations language for each account. This information is contained in the *Appendix* volume of the President's budget submission.[21] In addition, agencies' performance plans are provided to Congress with their congressional budget justifications soon after transmittal of the President's budget.[22]

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[16] Shelley Lynne Tomkin, *Inside OMB: Politics and Process in the President's Budget Office* (New York: M.E. Sharpe, 1998), pp. 120-130.

[17] Tomkin, *Inside OMB*, p. 131.

[18] U.S. Government Accountability Office, *A Glossary of Terms Used in the Federal Budget Process*, GAO-05-734SP, September 2005, p. 105, https://www.gao.gov/products/gao-05-734sp.

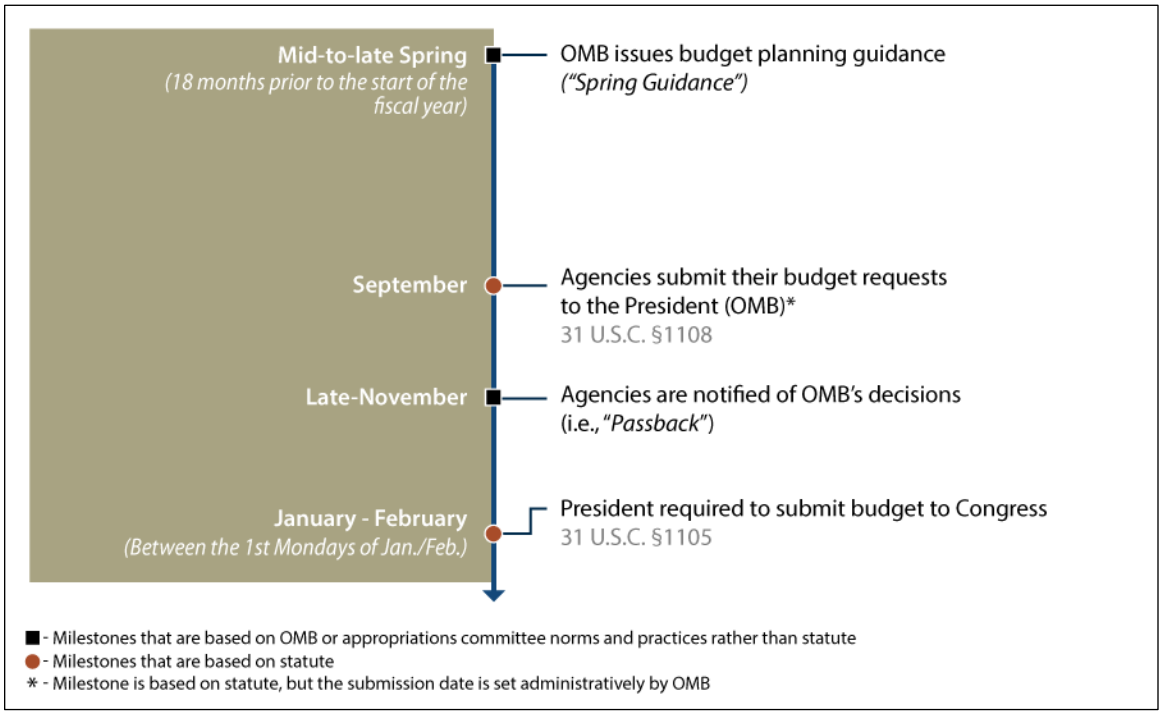
[19] Tomkin, *Inside OMB*, pp. 131-134.

[20] The President's budget includes budget requests for all executive departments and agencies as well as budget requests for entities in the legislative and judicial branches. The President and OMB play no role in the development of legislative and judicial branch requests. Instead, entities in the legislative and judicial branches transmit their budget requests to the President, who is then required to include them in the budget submission to Congress without modification (31 U.S.C. §1105(b)). Some executive agencies submit budget requests directly to Congress by law or custom. For related discussion, see CRS Insight IN10715, *When an Agency's Budget Request Does Not Match the President's Request: The FY2018 CFTC Request and "Budget Bypass,"* by Jim Monke, Rena S. Miller, and Clinton T. Brass (an example of an agency bypassing OMB and the President with a budget submission [available upon request for congressional clients]); also see OMB *Circular No. A-11*, §25.1 (listing certain agencies and programs whose budget requests are not subject to OMB modification "by law or custom").

[21] See CRS Report R43475, *FY2023 Budget Documents: Internet and GPO Availability*, by Carol Wilson.

[22] OMB, *Circular No. A-11*, §240.21.

Figure 1. Budget Development Milestones Leading to Annual Submission to Congress



Sources: CRS analysis of the *U.S. Code*, OMB guidance documents, and Presidents' budget submissions. Milestones that are established by law are also indicated by listing relevant *U.S. Code* citations.

Potential Issues for Congress

The President's budget is a statement of the President's policy priorities and a unified plan for the allocation of federal budgetary resources. Although the President's budget is a set of recommendations, which Congress is not required to adopt, it creates a starting point for congressional revenue and spending actions. Additionally, the executive budget process provides a venue for information sharing between agencies and Congress. In evaluating the existing budget process, Congress may consider the following issues and questions:

- **Budget process timeline and agency planning.** Agencies typically begin their budget formulation processes in the spring—approximately 18 months prior to the beginning of the fiscal year on October 1—upon receipt of OMB's spring guidance. Consequently, agencies may experience a gap of at least a year-and-a-half between budget planning and the receipt of appropriated funds, with an even longer gap in the case of a continuing resolution.[23] This lag might affect the ability of agencies to plan for new programs or respond to changing circumstances. Congress may consider amending the current budget process to reduce the period of time between budget planning and agency receipt of appropriated funds.

[23] See CRS Report RL34700, *Interim Continuing Resolutions (CRs): Potential Impacts on Agency Operations*, by Clinton T. Brass.

- **Access to information from agencies.** By law, the President may change agency budget requests before they are submitted to Congress. This may prevent Congress from assessing agency proposals that were removed or amended during OMB's review. For this reason, Congress may require agencies to provide relevant appropriations subcommittees with information about resource needs, as well as policy proposals that were modified during the passback process. Congress may also consider lawmaking and oversight strategies that would enhance the information provided by agencies.
- **Agency performance measurement and reporting.** In conducting oversight of agency planning activities, Congress may seek more information on how agencies set goals and measure their performance against those goals. In particular, Congress may require agencies to explain how the metrics included in their Annual Performance Plans and Reports accurately measure agency performance. Additionally, Congress may require agencies to justify their choice of annual performance targets. Additionally, Congress may want to assess if duplication exists in agency reporting and whether the performance information contained in these documents is useful to its decisionmaking.

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